

**REQUEST FOR PROPOSAL**  
**TO PERFORM**  
**A REVIEW AND OVERSIGHT OF THE NEW JERSEY ELECTRIC UTILITIES**  
**BASIC GENERATION SERVICE (BGS) AUCTION PROCESS**

**DOCKET NO. EX01060367**

**Division of Audits**  
**New Jersey Board of Public Utilities**  
**Two Gateway Center**  
**Newark, New Jersey 07102**

## **SECTION 1. GENERAL INFORMATION**

1.1 Introduction. In the rate unbundling, stranded costs and restructuring Final Orders (Final Orders) for Atlantic City Electric Company d/b/a Conectiv Power Delivery, Jersey Central Power and Light Company d/b/a GPU Energy, and Public Service Electric and Gas Company, the Board of Public Utilities (Board or BPU) directed each of the New Jersey electric utilities to file, by August 1, 2001, specific proposals to implement an auction/bidding process for Basic Generation Service (BGS) for the period of August 1, 2002 through July 31, 2003 ("Year 4 of the Transition Period"). In addition, in Rockland Electric's rate unbundling, stranded costs and restructuring Summary Order, the Board indicated that it will undertake a review beginning in August 2001, with an opportunity for participation by the parties, to determine whether, and if so, in what manner, RECO should bid out the BGS responsibility for Year 4 of the Transition Period. Subsequently, by Order dated June 6, 2001 in Docket No. EX01050303, the Board advanced the filing dates and required each of the four electric utilities to make a filing on June 29, 2001 regarding their specific proposals to implement an auction process for BGS for Year 4 of the Transition Period. Pursuant to N.J.S.A. 48:2-16.4, this RFP process establishes the guidelines for selecting a consultant firm (Consultant) to help Board Staff evaluate the utilities' BGS auction process, as well as provide Staff assistance in overseeing the implementation of the proposed auction process.

1.2 Objective. The BPU is seeking a consultant to assist it and the Staff in a proceeding to evaluate the New Jersey electric utilities' proposals to implement a BGS auction process, and advise it and Staff through the course of the proceeding. In addition, the Consultant will be expected to assist the BPU and its Staff in monitoring the implementation of the process that results from the proceeding.

1.3 Scope. The Consultant will review and monitor the New Jersey electric utilities BGS auction process, and assist Staff and/or the electric utilities in obtaining reliable and economic supplies for BGS. While the Board will not determine until late October 2001 which type of auction process, if any, will be conducted, one of the formats currently being proposed is a "simultaneous, multiple round, descending clock" auction.

1.4 Schedule. It is the Board's intention to adhere to the schedule as proposed in Attachment 1.

1.5 Definitions and Responsibilities of Parties. The definitions and general responsibilities of the Board, Utility and Consultant are as follows:

1.51 Board. The Board is the client for whom the assignment is to be performed and is the sole point of contact for this RFP. The Board and its staff will: (1) evaluate the submitted utility BGS auction proposals per the Board's Final Orders, Summary Orders and the Electric Discount and Energy Competition Act (EDECA); (2) establish BPU objectives for the auction process; (3) select the Consultant; (4) supervise the Consultant's review of the utilities' BGS auction filings; (5) supervise the Consultant's monitoring of the implementation of the BGS

auction process; and (6) review the Consultant's expenses and authorize payment by the Utility.

1.5.2 Utility. The New Jersey Electric Utilities' BGS auction filings are the subject of the assignment, as well as the implementation of any resulting auction process. The Utilities will: (1) provide appropriate office accommodations for the Consultant and the Board's staff; and (2) pay the Consultant as authorized by the Board's staff.

1.5.3 Consultant. The Consultant is the selected consulting firm, its personnel and subcontractors. The Consultant, in its advisory role, will: (1) provide advice to the Board in the process of approving the auction process and rules under the supervision of the Board's staff; (2) review utility auction proposals with respect to Board objectives (e.g., are the auction proposals workable and likely to achieve objectives); and (3) review the BGS auction process for reasonableness of administration, guidelines for setting the starting price and auction volume, the default plan, and proposed BGS contract. The Consultant, in its monitoring role, will: (1) monitor the marketing of the auction to attract bidders and/or advise the Staff on the utilities marketing efforts; (2) review utility information provided to bidders; (3) monitor the virtual data room/bidder inquiry process to ensure that all bidders have received the required data and have had their questions resolved; (4) monitor efforts to educate bidders on the auction process and rules; (5) monitor responses to bidder questions and concerns; (6) advise the BPU and its Staff on the significance of the indicative bids, the auction starting price and the block sizes; (7) monitor administration of the auction, including speed of rounds and price tick down for each round; (8) advise the BPU whether the final auction results fairly reflect the approved auction process; and (9) provide a report on the auction results with recommendations to improve future auctions.

1.6 Confidentiality. Unless otherwise ordered by the Board, all aspects of the submitted proposals and performance of the auction review shall be confidential.

1.7 Rejection of Proposals. The Board reserves the right to reject any or all submitted proposals not in conformance with this RFP, or for other cause.

1.8 Proposal. Consulting firms must submit a complete response to this RFP using the format provided in Section 2.1. There must be one original, signed by an official authorized to bind the consulting firm to its provisions, and 10 copies. The proposal must remain valid for at least 90 days after the submission deadline. Once all accepted proposals are reviewed, the Board's staff may require interviews with the consulting firms to discuss the contents of the proposals. Both the RFP and the proposal will comprise contractual obligations for the selected Consultant, unless modified by mutual consent.

1.9 Incurred Costs. Neither the Board nor the Utility shall be liable for any costs incurred by the Consultant prior to the Board's staff's authorization to execute a written agreement signed by the Utility and the Consultant. The consultant will be paid for all costs incurred with this assignment with the understanding that the Board has the right to discontinue this assignment at its discretion.

1.10 Compensation. Payment of any contractual costs incurred subsequent to the

signing and authorization of a written agreement will be made monthly upon receipt of the Consultant's invoice as set forth in Section 3.4. Payment of monthly invoices will be 100% of the undisputed amount of expenses and 80% of the undisputed amount of professional and support staff fees. The remaining 20% will be paid when the final report is filed with the Board and all contractual obligations have been met. Disputed amounts shall be subject to arbitration by the Board.

1.11 Subsequent Work. The Consultant, or any of its personnel involved in the review and monitoring of the BGS auction process, will not be permitted to perform subsequent work for any of the Utilities for a period of two years after the completion of this project without approval of the Board, which will not be unreasonably withheld.

## **SECTION 2. PROPOSAL CRITERIA**

2.1 Format. Review of the proposal will be based on the following format.

2.1.1 Summary. A discussion reflecting the consulting firm's understanding of the proposed review.

2.1.2 Work Plan. A discussion setting forth the consulting firm's work plan, as follows:

- A. approach, with emphasis on the techniques for collecting and analyzing data;
- B. products to be delivered and time estimates for each task;
- C. sequence and relationship of all areas to the experience of the personnel in each category; and
- D. methods of managing the review.

2.1.3 Personnel. Resumes of all personnel to be involved in the assignment, including previous experience of clients served and respective dates. Experience should reflect previous work assignments for each person as it relates to the area of their assignments.

2.1.4 Experience. Previous expertise in reviewing and/or administering large volume, multi-product, multi-round auctions.

2.1.5 Relationship with Utility. A statement indicating any prior, existing or prospective relationship, financial or otherwise, between the consulting firm, its personnel or subcontractors, and the Utility.

2.1.6 Costs. Total estimated cost of services, itemized as follows:

- A. professional and support staff fees of all personnel, consisting of the projected hours and rate per hour for each category;

- B. supplies and materials;
- C. all travel expenses, including transportation, meals, lodging, etc.;  
and
- D. any other direct costs.

2.2 Other Information. Any other information which may assist in the review of a submitted proposal, such as brochures, literature or samples of recent experience, may be submitted with, but shall not be considered part of, the proposal.

### **SECTION 3. REVIEW PROCEDURE**

3.1 Safety Standards. When on the Utility's premises, the Consultant must comply with all regulatory standards and Utility policies dealing with safety, insurance and work specifications.

3.2 Project Control. The review will be performed in accordance with the written agreement. There will be no direct reporting by the Consultant to the Utility. All written and oral communications will be through the Board's staff. The Consultant may be requested to discuss the review progress with the Board's staff, as necessary.

3.3 Contingency Budget. A contingency budget shall be established for the performance of any work requested, and determined to be outside the scope of the review, by the Board or its staff. The hours shall be used only with specific written authorization by the Board's staff. The hours shall be billed at the average professional rate per hour based upon all professional rate categories set forth in Section 2.1.6. If the Board's staff determines additional hours to be necessary, those hours shall be considered to be a modification to the written agreement and shall be mutually agreed upon unless otherwise ordered by the Board.

3.4 Monthly Progress Reports. The Consultant shall submit a monthly written report, by the fifth business day following the month's end, for any month in which work was performed. The report shall consist of a narrative regarding the status of the review, with an explanation of any discrepancies between the work plan and actual progress.

3.5 Invoices. An invoice for payment may be submitted at any time following the month's end, for any month in which work was performed or expenses were incurred. All invoice amounts shall be supported by appropriate documentation at the Consultant's office and may be subject to an audit by the Board and/or the Utility for a period of two years after the completion of the review. The invoice should be itemized as in Section 2.1.6 and shown in relation to the contractual cost.

3.6 Development of Final Report. The results of the review shall be filed with the Board in a final report. The development of the report will evolve in two stages:

- 1 Draft Report. A draft of the final report shall be submitted and shall include a summary and assessment of the process and a detailed list of all recommendations. Upon the resolution of any factual discrepancies, which may include electric utility comments, the Board's staff will authorize the preparation of the final report.
- 2 Final Report. Within 14 days of receiving staff's comments on the Draft Report, the Consultant shall provide 20 bound copies and two master copies suitable for producing photocopies.

## **ATTACHMENT 1**

### **ESTIMATED SCHEDULE**

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|---|------------------|
| 1. Send RFP to prospective consulting firms                       | 07/13/01         |
| 2. Receive letters of intent from prospective consulting firms    | 07/23/01         |
| 3. RFP review conference  | 07/31/01         |
| 4. Receive proposals from prospective consulting firms            | 08/07/01         |
| 5. Board selects consultant                                       | 08/15/01         |
| 6. Signing of contract  | 08/22/01         |
| 7. Assignment begins  | 09/04/01         |
| 8. Review final auction procedures with utilities and Board Staff | Week of 11/05/01 |
| 9. Oversee actual auction   | Week of 11/12/01 |
| 10. Provide report on auction results and future recommendations  | 12/14/01         |